

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

MT. CLEMENS HOUSING COMMISSION

Financial Statements

June 30, 2004

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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As management of the Mt. Clemens Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Mt. Clemens Housing Commission's financial activities for the FYE 6/30/04. This discussion and analysis letter of the Mt. Clemens Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities. The accompanying Financial Data Schedule reports these results in more detail, program by program. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 6/30/04:

	<u>FYE</u> <u>6/30/04</u>	<u>FYE</u> <u>6/30/03</u>	<u>Change</u>
Public Housing Operating Subsidy	516,306	620,281	(103,975)
Capital Fund Program Grants	410,223	477,271	(67,048)
Drug Elimination Program Grants	0	57,951	(57,951)
Sec. 8 New Construction Subsidy	1,839,830	1,781,369	58,461

The following represents changes in the Asset section of the Balance Sheet:

	<u>FYE</u> <u>6/30/04</u>	<u>FYE</u> <u>6/30/03</u>	<u>Change</u>
Cash	1,053,547	1,165,491	(111,944)
Investments	100,000	0	100,000
Fixed Assets, Net of Depreciation	6,118,891	6,268,234	(149,343)
Total Net Assets (Equity)	6,623,328	6,805,622	(182,294)

Cash decreased primarily due to the purchase of a \$100,000 Certificate of Deposit. We receive the interest payments on this Certificate monthly. Cash also decreased due to the Operating Loss sustained by the Public Housing program in its day-to-day operations of approximately \$30,000 (see statement below). This decrease was somewhat mitigated by an increase in liabilities. Although Fixed Assets increased by \$346,943, this was more than offset by depreciation charges of \$496,286, resulting in the net decrease stated in the above table.

Capital Projects that increased Fixed Assets were all funded out of the Capital Fund Programs. These projects include:

1. Maintenance Equipment purchases
2. Roof replacement project
3. A&E fees and costs

The decrease in Total Net Assets mirrors the decreases in the other categories as stated above.

Entity-Wide Operational Highlights:

The Mt. Clemens Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>FYE</u> <u>6/30/04</u>	<u>FYE</u> <u>6/30/03</u>
Low Rent Public Housing	286	286
Sec. 8 Housing Choice Voucher	281	281

During FYE 6/30/04, Mt. Clemens Housing Commission maintained a lease-up rate of 98% in its Public Housing Program and a lease-up rate of 97% in its Section 8 program. These lease-up rates are well within HUD guidelines.

General Fund Budgetary Highlights:

The Commission approved a Low Rent Public Housing Operating Budget for fye 6/30/04 that projected an operating loss of \$165,694. We had no reason to amend the budget during the fiscal year. We had some minor individual line item budget overruns in the areas of utilities and insurance. Total expenditures were well under the budgeted amount, and total revenue was over the budgeted amount, resulting in an operating loss of only \$30,197. Comparing this result to the approved budgeted loss, we exceeded our own expectation by \$135,497. Actual results are as follows:

MT. CLEMENS HOUSING COMMISSION
OPERATING INCOME STATEMENT
FYE 6/30/04

Approved Budget	<u>INCOME</u>	Actual
696,000	Dwelling Rental	669,396.50
0	Excess Utilities	0.00
0	Non-Dwelling Rent	39,400.13
12,000	Interest Earned	4,799.87
12,000	Other Income	11,857.88
	Approved Operating	
516,306	Subsidy	516,306.00
<u>0</u>	CFP 1406 Operations	<u>0.00</u>
		1,241,760.3
1,236,306	Total Income	8

EXPENSES

116,170	Administrative Salaries	103,029.44
	Consultants	1,855.50
	Compensated Absences	1,243.48
1,000	Legal	611.00
15,000	Travel	8,667.10
15,635	Accounting Fees	15,310.00
3,000	Audit Fees	2,900.00
<u>34,250</u>	Other Admin. Expenses	<u>23,043.74</u>
185,055	Total Admin. Expense	156,660.26
	Tenant Services	
0	Salaries	0.00
<u>7,425</u>	Tenant Services - Other	<u>2,749.13</u>
7,425	Total Tenant Serv. Exp.	2,749.13
145,000	Water	147,810.85
57,000	Electricity	58,063.31
<u>51,000</u>	Gas	<u>63,475.16</u>
253,000	Total Utilities Expense	269,349.32
190,820	Maintenance Wages	181,839.83
85,000	Materials	65,106.82
<u>405,500</u>	Contract Costs	<u>314,785.52</u>
681,320	Total Maint. Expense	561,732.17
52,500	Insurance	62,635.48
44,300	PILOT	38,383.60
	Terminal Leave Payments	0.00
162,900	Employee Benefits	157,681.69
<u>15,000</u>	Collection Losses	<u>5,613.01</u>
274,700	Total General Expenses	264,313.78
	Extraordinary	
0	Maintenance	0.00
0	Casualty Losses	0.00
	Interest Expense	16,621.11
<u>500</u>	Depreciation Expense *	<u>531.35</u>
1,402,000	Total Operating Expenses	1,271,957.12
(165,694)	Operating Income/Loss	(30,196.74)

* - Depreciation expense as stated above represents only

depreciation charges attributable to cumulative capital

expenditures made out of the Operating Budget.

Revenues:

Mt. Clemens Housing Commissions primary revenue sources are subsidies and grants received by HUD. For FYE 6/30/04, revenue generated by the Commission accounted for \$726,093 (or 21% of total revenue), while HUD contributions accounted for \$2,766,359 (or 79% of total revenue). Any increase in commission-generated revenue is constrained by a myriad of HUD rules and regulations, most notably those which pertain to the setting of tenant rental rates. Therefore, the Commission is inherently dependent upon HUD for the bulk of revenue.

Expenses:

Although total expenditures were well under budgeted amounts, we had a few individual line item budget overruns. Details are as follows:

	Actual	Budget	Variance
Water	147,811	145,000	2,811
Electricity	58,063	57,000	1,063
Natural Gas	63,475	51,000	12,475
Insurance	62,635	52,500	10,135

- Utilities increased due to both rate and usage increases. In the case of Natural Gas, we had a colder winter than anticipated.
- Property Insurance renewal rates were higher than expected.

Unfortunately, HUD funding has been unable to keep up with the ever-increasing operating costs. For instance, we have sustained a 113% increase in property & liability insurance since 9/11/01, going from \$28,629 in 2001 to \$61,034 in 2004. Increases in Health Insurance premiums have skyrocketed as well. We are also experiencing increases in Pension costs. Our pension program is a benefit-defined program, and contributions have been non-existent for several years due to sufficient funding in the plan. However, beginning with FYE 6/30/04 actuarial reviews of the plan have re-initiated the mandatory contributions.

Commission's Position

The Mt. Clemens Housing Commission entered into an Energy Savings Program in 1999. Although the related increase in subsidy for the funding of this program remains in dispute with our local HUD office, we have been able to meet our debt service obligations. The loan is scheduled to be paid off in 2011.

Although the Commission is currently quite healthy financially, the Board feels that any amount of Operating Loss is undesirable. We have, therefore, begun to budget the allotted 20% of Capital Fund Program grant revenue for use as Operating Revenue. Even though this limits our CFP capital expenditures, we feel that we must utilize this funding source at this time. In addition to the future increase in revenue, we intend to continue to monitor our operating expenses. We were very successful during FYE 6/30/04 in holding the line on expenses, most notably in the area of contract costs (almost \$100,000 under budget).

With these cost-control efforts in place, the Mt. Clemens Housing Commission expects to be able to provide safe, sanitary, and decent housing for the low income elderly and families of our community for many years to come.

Sincerely,

MT. CLEMENS HOUSING COMMISSION
Earl Rickman
Executive Director

John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Mt. Clemens Housing Commission
250 Champion Street
Mt. Clemens, Michigan 49017

Independent Auditor's Report

I have audited the financial statements listed in the Table of Contents of the Mt. Clemens Housing Commission as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments* as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mt. Clemens Housing Commission as of June 30, 2004, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

February 18, 2005

MT. CLEMENS HOUSING COMMISSION
Combined Statement of Net Assets
June 30, 2004

ASSETS

C-3047

CURRENT ASSETS

Cash	\$ 1,053,547	
Accounts Receivable, net of allowance for doubtful accounts 4,366)	7,608	
Accounts Receivable- Other	3,127	
Investments	100,000	
Prepaid Expenses	6,012	
Inter Program due from	<u>55,369</u>	
 Total Current Assets		\$ 1,225,663

NON CURRENT ASSETS

Land	\$ 725,000	
Buildings	6,299,325	
Furniture, Equipment- Dwellings	15,760	
Furniture, Equipment- Administrative	152,152	
Construction in Progress	6,280,280	
Accumulated Depreciation	<u>(7,353,626)</u>	
 Total Non Current Assets		<u>6,118,891</u>

<u>TOTAL ASSETS</u>	\$ <u>7,344,554</u>
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MT. CLEMENS HOUSING COMMISSION
Combined Statements of Net Assets
June 30, 2004

LIABILITIES

C-3047

CURRENT LIABILITIES

Accounts Payable	\$	29,881	
Accrued Liabilities		112,810	
Accounts Payable- HUD		77,004	
Accounts Payable- Other Governments		38,384	
Accrued Compensated Absences		6,221	
Tenants Security Deposit		61,617	
Deferred Revenue		16,499	
Current Portion- Long Term Debt		32,330	
Inter-Program due to		<u>55,369</u>	
<u>Total Current Liabilities</u>	\$		430,115

NONCURRENT LIABILITIES

Long Term Debt- Energy Loan	\$	299,784	
Current Portion, above		<u>32,330</u>	
	\$	235,124	
Compensated Absences-noncurrent		<u>55,987</u>	<u>291,111</u>
<u>Total Liabilities</u>	\$		721,226

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	5,851,437	
Unrestricted Net Assets		<u>771,891</u>	
<u>Total Net Assets</u>			<u>6,623,328</u>

<u>TOTAL LIABILITIES & NET ASSETS</u>	\$	<u>7,344,554</u>
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The Accompanying Notes are an Integral part of the Financial Statements

MT. CLEMENS HOUSING COMMISSION
Combined Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended June 30, 2004

REVENUE

Tenant Rental Revenue	\$ 669,397	
HUD Grants	2,766,359	
Interest Income	5,438	
Other Income	<u>51,258</u>	
<u>Total Revenue</u>		\$ 3,492,452

EXPENSES

Administrative	\$ 371,994	
Tenant Services	2,749	
Utility Expenses	269,349	
Ordinary Maintenance	672,669	
General Expenses	<u>106,632</u>	
<u>Total Expenses</u>		<u>1,423,393</u>
<u>Excess (Deficiency) of Revenues over Expenses</u>		\$ 2,069,059

OTHER SOURCES & (USES)

Interest Expense	\$ (16,621)	
Housing Assistance Payments	(1,738,445)	
Depreciation Expenses	<u>(496,287)</u>	
<u>Total Other Sources (Uses)</u>		<u>(2,251,353)</u>
<u>Change in Net Assets</u>		\$ (182,294)
Total Net Assets- Beginning		<u>6,805,622</u>
Total Net Assets- Ending		\$ <u>6,623,328</u>

The Accompanying Notes are an Integral part of the Financial Statements

MT. CLEMENS HOUSING COMMISSION
Combined Statement of Cash Flows
For the Year Ended June 30, 2004

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 669,290
Payments to Suppliers	(2,860,959)
Payments to Employees	(396,387)
HUD Grants	2,766,359
Other Receipts (Payments)	<u>56,696</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>234,999</u>

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(346,943)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (111,944)
Balance- Beginning of Year	<u>1,165,491</u>
Balance- End of Year	\$ <u>1,053,547</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (182,294)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	496,287
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	12,202
Investments	(100,000)
Prepaid Expenses	(1,595)
Interfund Due From	3,661
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(38,793)
Accrued Liabilities	31,690
Compensated Absences	(1,244)
Security Deposits	4,152
Deferred Revenue	12,753
Current Portion Long Term Debt	1,841
Interfund Due To	<u>(3,661)</u>
Net Cash Provided by Operating Activities	\$ <u>234,999</u>

The Accompanying Notes are an Integral part of the Financial Statements

MT. CLEMENS HOUSING COMMISSION
Notes to Financial Statements
June 30, 2004

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Mt. Clemens Housing Commission, Mt. Clemens, Michigan, (Commission) was created by ordinance of the city of Mt. Clemens. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 28-1,4	Low rent program	288 units
	Oversight of a Section 8 Program	282 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. The Financial Data Schedule lists all the programs of the Reporting Entity including component units should they exist, as defined above. Based on the above criteria, no component units exist.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major funds.

Notes to Financial Statements- continued

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	15 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Notes to Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 159,353
Money Market Accounts	894,019
Petty Cash	<u>175</u>
Financial Statement Total	<u>\$ 1,053,547</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 159,353	\$	\$	\$ 159,353	\$ 159,353
Petty Cash	175			175	175
Money Market	<u>\$ 894,019</u>	<u>\$</u>	<u>\$</u>	<u>\$ 894,019</u>	<u>\$ 894,019</u>
Total Cash	<u>\$ 1,053,547</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,053,547</u>	<u>\$ 1,053,547</u>

Investments:

C/D's	\$ 100,000	\$	\$	\$ 100,000	\$ 100,000
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In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Accounts Receivable (net)

Accounts receivable (net) consists of the following:

Accounts Receivable- Miscellaneous	\$ 46
Accounts Receivable- HUD	<u>3,081</u>
Financial Statement Total	<u>\$ 3,127</u>

Notes to Financial Statements- continued

Note 4: Prepaid Expenses

Prepaid expenses consists of the following:

Prepaid Insurance	\$ <u>6,012</u>
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Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 725,000	\$	\$	\$ 725,000
Buildings	6,299,325			6,299,325
Furniture & Equipment-Dwellings	15,760			15,760
Furniture & Equipment-Admin	131,077	21,075		152,152
Leasehold Improvements	<u>5,954,412</u>	<u>325,868</u>		<u>6,280,280</u>
	\$13,125,574	\$ 346,943	\$	\$13,472,517
Less Accumulated Depreciation	<u>6,857,339</u>	<u>496,287</u>		<u>7,353,626</u>
	\$ <u>6,268,235</u>	\$ <u>(149,344)</u>	\$ <u>0</u>	\$ <u>6,118,891</u>

Note 6: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Wages & Benefits	\$ 60,750
Accrued Utilities	<u>52,068</u>
Financial Statement Total	\$ <u>112,810</u>

Note 7: Retirement

The Commission participates in the City of Mount Clemens Employees Retirement System. The fund requires all full time employees to participate. The employee contributes a percentage of their wages and the Commission contributes a percentage on their behalf. The plan allows for several retirement options, including normal retirement, disability and death benefits. For further information concerning the plan or statistical information, see the audit report provided by the City of Mount Clemens Employees Retirement System.

Notes to Financial Statements- continued

Note 8: Long Term Debt

The Commission entered into an energy conservation program approved by HUD. The Commission borrowed funds for energy conservation improvements; HUD will freeze the funding for utilities at the 1999 levels, therefore, the additional utility subsidy over the expected cost savings will repay the debt. The following represents the principal and interest obligations over the next five years:

Note payable, 5.85% interest payable serially until 2012.

June 30, 2005	\$ 47,119
June 30, 2006	47,119
June 30, 2007	47,119
June 30, 2008	47,119
June 30, 2009	47,119
Thereafter	102,092

Due to the unique regulatory constraints of the debt it is impracticable to estimate the fair value of debt.

Note 7: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 20,682,800
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	75,000
Worker's Compensation and other riders: coverage's required by the State of Michigan	

Note 10: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 11: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Mt. Clemens Housing Commission

30-Jun-04

MI028

	Combining Balance Sheet	Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	914,627	138,920	-	1,053,547
112	Cash - restricted - modernization and development	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
100	Total cash	914,627	138,920	-	1,053,547
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects				-
122	Accounts receivable - HUD other projects	81	-	3,000	3,081
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous	46			46
126	Accounts receivable- tenants - dwelling rents	11,974			11,974
126.1	Allowance for doubtful accounts - dwelling rents	(4,366)			(4,366)
126.2	Allowance for doubtful accounts - other				-
127	Notes and mortgages receivable- current				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful accounts	7,735	-	3,000	10,735
	Current investments				-
131	Investments - unrestricted	100,000			100,000
132	Investments - restricted				-
142	Prepaid expenses and other assets	6,012			6,012
143	Inventories				-
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	47,000	-	8,369	55,369
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	1,075,374	138,920	11,369	1,225,663
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	725,000			725,000
162	Buildings	6,299,325			6,299,325
163	Furniture, equipment & machinery - dwelling	15,760	-	-	15,760
164	Furniture, equipment & machinery - administration	126,071	-	26,081	152,152
165	Leasehold improvements	5,551,604		728,676	6,280,280
166	Accumulated depreciation	(7,318,452)	-	(35,174)	(7,353,626)
160	Total fixed assets, net of accumulated depreciation	5,399,308	-	719,583	6,118,891
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	5,399,308	-	719,583	6,118,891

Mt. Clemens Housing Commission

30-Jun-04

MI028

		Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Combining Balance Sheet					
Line Item #					
190	TOTAL ASSETS	6,474,682	138,920	730,952	7,344,554

Mt. Clemens Housing Commission

30-Jun-04

MI028

	Combining Balance Sheet	Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Line Item #					
	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	29,881	-		29,881
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	60,750	-		60,750
322	Accrued compensated absences	6,221			6,221
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		77,004		77,004
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	38,384	-	-	38,384
341	Tenant security deposits	61,617			61,617
342	Deferred revenues	8,130	-	8,369	16,499
343	Current portion of Long-Term debt - capital projects	32,330			32,330
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	52,060			52,060
347	Inter-program - due to	8,369	44,000	3,000	55,369
310	TOTAL CURRENT LIABILITIES	297,742	121,004	11,369	430,115
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects	235,124			235,124
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	55,987			55,987
350	TOTAL NONCURRENT LIABILITIES	291,111	-	-	291,111
300	TOTAL LIABILITIES	588,853	121,004	11,369	721,226
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	5,131,854	-	719,583	5,851,437
	Reserved fund balance:				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	753,975	17,916		771,891
513	TOTAL EQUITY	5,885,829	17,916	719,583	6,623,328

Mt. Clemens Housing Commission

30-Jun-04

MI028

		Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Combining Balance Sheet					
Line Item #					
600	TOTAL LIABILITIES AND EQUITY	6,474,682	138,920	730,952	7,344,554

Mt. Clemens Housing Commissior

30-Jun-04

MI028

		Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Combining Income Statement					
Line Item #				-	
	REVENUE:	-	-		
703	Net tenant rental revenue	669,397			669,397
704	Tenant revenue - other	-			-
705	Total tenant revenue	669,397	-	-	669,397
706	HUD PHA grants	516,306	1,839,830	410,223	2,766,359
708	Other government grants				-
711	Investment income - unrestricted	4,800	638	-	5,438
712	Mortgage interest income				-
714	Fraud recovery				-
715	Other revenue	51,258	-	-	51,258
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restrictec				-
700	TOTAL REVENUE	1,241,761	1,840,468	410,223	3,492,452
	EXPENSES:				
	Administrative				
911	Administrative salaries	103,029	60,000	51,518	214,547
912	Auditing fees	2,900	-		2,900
913	Outside management fees				-
914	Compensated absences	1,243			1,243
915	Employee benefit contributions- administrative	56,766	28,000	-	84,766
916	Other operating- administrative	49,488	8,940	10,110	68,538
	Tenant services				
921	Tenant services - salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	2,749			2,749
	Utilities				
931	Water	147,811			147,811
932	Electricity	58,063			58,063
933	Gas	63,475			63,475
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	181,840			181,840
942	Ordinary maintenance and operations - materials & c	65,107		-	65,107
943	Ordinary maintenance and operations - contract cost	314,786		10,020	324,806
945	Employee benefit contributions- ordinary mainten	100,916			100,916
	Protective services				

	Combining Income Statement	Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Line Item #				-	
951	Protective services - labor				-

Mt. Clemens Housing Commissior

30-Jun-04

MI028

	Combining Income Statement	Low Rent 14.850	Section 8 New Construction	Capital Projects Funds 14.872	TOTAL
Line Item #				-	
952	Protective services- other contract costs				-
953	Protective services - other				-
955	Employee benefit contributions- protective services				-
	General expenses				
961	Insurance premiums	62,635			62,635
962	Other General Expenses	-			
963	Payments in lieu of taxes	38,384			38,384
964	Bad debt - tenant rents	5,613			5,613
965	Bad debt- mortgages				-
966	Bad debt - other				-
967	Interest expense	16,621			16,621
968	Severance expense	-			-
969	TOTAL OPERATING EXPENSES	1,271,426	96,940	71,648	1,440,014
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(29,665)	1,743,528	338,575	2,052,438
971	Extraordinary maintenance	-			-
972	Casualty losses - non-capitalized	-			-
973	Housing assistance payments		1,738,445	-	1,738,445
974	Depreciation expense	462,142		34,145	496,287
975	Fraud losses				-
976	Capital outlays- governmental funds	-			-
977	Debt principal payment- governmental funds				-
978	Dwelling units rent expense				-
900	TOTAL EXPENSES	1,733,568	1,835,385	105,793	3,674,746
	OTHER FINANCING SOURCES (USES)				
1001	Operating transfers in	-			-
1002	Operating transfers out	-		-	-
1003	Operating transfers from/to primary government			-	-
1004	Operating transfers from/to component unit				-
1005	Proceeds from notes, loans and bonds				-
1006	Proceeds from property sales				-
1010	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER TOTAL EXPENSES	(491,807)	5,083	304,430	(182,294)

MT. CLEMENS HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3047 Operating Subsidies	\$ <u>516,306</u>
* <u>CFDA 14.182 Housing Assistance Programs</u>	
C-3190 Section 8 New Construction	\$ <u>1,839,830</u>
* <u>CFDA 14.872 Capital Fund Program</u>	
C-3047 Capital Projects Funds	\$ <u>410,223</u>
	\$ <u>2,766,359</u>

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 20,685,000
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	75,000
Worker's Compensation and other riders: coverage's required by the State of Michigan	

*Connotes Major Program Category

MT. CLEMENS HOUSING COMMISSION
Status of Prior Audit Findings
June 30, 2004

The prior audit of the Mt. Clemens Housing Commission for the period ended June 30, 2003, did not contain any audit findings.

MT. CLEMENS HOUSING COMMISSION
Report on Compliance Applicable with Requirements to
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
June 30, 2004

Compliance

I have audited the compliance of Mt. Clemens Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Mt. Clemens Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mt. Clemens Housing Commission's management. My responsibility is to express an opinion on Mt. Clemens Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mt. Clemens Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Mt. Clemens Housing Commission's compliance with those requirements.

As described in the following findings in the accompanying schedule of findings and questioned costs, the Commission failed to comply with one or more of the following compliance requirements: Activities allowed or unallowed, Allowable Costs/cost Principles, Cash Management, Davis-Bacon Act, Eligibility, Procurement, Reporting, or other compliance matters. Compliance with such requirements is necessary, in my opinion, for the Commission to comply with the requirements applicable to that program. The following programs, findings and compliance matters are detailed in the schedule of findings and questioned cost:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Low Rent Public Housing:		
Tenant Accounting Discrepancies	04-1	Eligibility
Credit Card Policy	04-2	Activities allowed or unallowed
Travel Allowance with no Withholding	04-3	Activities allowed or unallowed
Security Deposit Discrepancies	04-4	Eligibility

In my opinion, except for the noncompliance described in the preceding paragraph, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of Mt. Clemens Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Mt. Clemens Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I considered to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as referred to above.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

February 18, 2005

MT. CLEMENS HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
June 30, 2004

I have audited the financial statements of Mt. Clemens Housing Commission, Mt. Clemens, Michigan, as of and for the year ended June 30, 2004, and have issued my report thereon dated February 18, 2005. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mt. Clemens Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards; see the findings and questioned cost section of this audit report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mt. Clemens Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any instances which may be considered weaknesses that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

February 18, 2005

MT. CLEMENS HOUSING COMMISSION
Schedule of Findings and Questioned Cost
June 30, 2004

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
Housing Assistance Program	X	
Capital Projects Funds	X	
Drug Elimination Grant	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ <u>X</u> No
Reportable condition(s) noted	_____ Yes	_____ <u>X</u> No
Non Compliance material to financial statements noted	_____ Yes	_____ <u>X</u> No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ <u>X</u> No
Reportable condition(s) noted	_____ <u>X</u> Yes	_____ No
Non Compliance material to financial statements noted	_____ Yes	_____ <u>X</u> No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Public and Indian Housing	Yes	None	04-1, 04-2, 04-3, 04-4
Housing Assistance Program	Yes	None	N/A
Capital Fund Projects	Yes	None	N/A

MT. CLEMENS HOUSING COMMISSION
Findings & Questioned Cost
June 30, 2004

The following findings, of the Mt. Clemens Housing Commission, for the year ended June 30, 2004, were discussed with the Executive Director, Mr. Earl Rickman, in an exit interview conducted on February 18, 2005:

Finding 04-1

Tenant Accounting Discrepancies; low rent program.

A review of ten tenant files revealed the following discrepancies:

Three files did not have third party verification of income; no files contained rent election forms.

Recommendation

The Commission does verify income and uses the results during the re-examination process; however, the files mentioned above did not have proper third party documentation or acceptable alternative verification processes.

The staff has just received training and is going to include the required rent election forms with the next re-examination.

I recommend the Commission verify all income with third parties as required by HUD or follow acceptable alternative procedures when such verifications are not possible; also include all required notifications.

Reply

The Mt. Clemens Housing Commission shall utilize the following procedures to assume compliance in verifying third party verifications of incomes.

Normal procedures:

To obtain third party verification to document income. When that verification is not available or not received as requested (within a two week period), we then utilize alternative verification which shall include verbal verification, requesting of pay stubs which reflect actual amounts of income received over a period covering at least 60 days. As a last resort we shall use a statement of self-proclaimed affidavit. We shall utilize alternate verification methods when timelines are running short for recertifying of leases. We shall also begin the rectification process sooner to allow additional time for completing third party verification.

Finding 4-2

Credit Card Policy.

The Commission has a credit card, however, does not have a written credit card policy.

Recommendation

The State of Michigan requires all Governmental Units that have a credit card must have a credit card policy; Public Act 266 of 1995 (MCL 129.95).

I recommend the Commission adopt a credit policy which has as a minimum restrictions on use and authorized personnel.

Reply

The Mt. Clemens Housing Commission shall establish a credit card usage policy for its employees. The policy shall include who is authorized to use credit cards and under what types of conditions the cards shall be used. The Housing Commission Board of Directors shall adopt the policy.

Finding 4-3

Travel Allowance not included on employee's payroll.

The Commission has an approved plan to pay certain employees a monthly travel allowance, however, has not included these payments in the employee's payroll.

The Internal Revenue Service, (IRS) requires all payments to employees be included in their payroll subject to withholding and payroll taxes.

Recommendation

The IRS has specific rules concerning payments to employees; all remunerations are considered compensation and subject to withholding and payroll taxes including travel allowances. In lieu of a monthly travel allowance, the employees could make an accounting to the Commission of actual miles driven and be reimbursed for those miles; in that case, the payment would not have to be reported on the employees payroll.

If the Commission continues to pay a monthly travel allowance, it must be reported on the employees payroll.

Reply

This has been the practice of the City of Mt. Clemens for Department heads who use their personal vehicles during work hours for work related activities in lieu of a company vehicle.

The Mt. Clemens Housing Commission Administrative staff shall change this procedure and establish an actual mileage driven reimbursement for use of personal vehicle used to conduct Housing Commission business.

Finding 4-4

Security Deposit reporting Errors.

Ten tenant files were reviewed to compare the security deposit per the lease as compared to the amount reported on the Security Deposit trial balance; 3 were different.

Recommendation

The signed lease represents the terms and conditions for admission and continued occupancy; it is also states the agreed upon and paid security deposit. A review of the files demonstrated a difference between the lease amount and the balance represented on the security deposit trial balance in 3 of the 10 files reviewed.

Upon further review, it appears the differences occurred when the Commission converted from one software system to another several years ago.

I recommend the Commission compare the current tenants security deposits per the leases to the trial balance and correct any differences.

Reply

The Mt. Clemens Housing Commission staff shall compare current tenants security deposit amounts to confirm if they are correct. In the case the amount is different from lease amounts, we shall correct any differences. Upon investigations and reviewing of files we found the difference in security deposit amounts occurred when we changed software programs. Also we discovered a difference in security deposits listed in lease due to unit transfers, in which we have not been charging the tenants the new security deposit amounts instead we have allowed the deposits to remain the same as the original amounts.